

Message Text

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15

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

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E.O. 11652: NA

TAGS: EGEN, RP

SUBJ: NEW PHILIPPINE REGULATIONS ON REMITTANCES OF ROYALTIES
AND OTHER CONTRACT PAYMENTS

1. PHILIPPINE CENTRAL BANK HAS ANNOUNCED NEW REGULATIONS FOR REMITTANCE OF ROYALTIES AND PROCEEDS FROM RENTAL AND DISTRIBUTION CONTRACTS. THESE REGULATIONS SET FORTH RESTRICTIVE GUIDELINES FOR ROYALTY AND OTHER CONTRACTUAL ARRANGEMENTS BUT PERMIT FULL REMITTANCE OF PAYMENTS ARISING FROM QUALIFYING ARRANGEMENTS. ARRANGEMENTS WHICH ARE NOT REVISED WITHIN FOUR MONTHS TO MEET NEW GUIDELINES WILL CONTINUE TO BE GOVERNED BY PRIOR REGULATIONS WHICH GENERALLY RESTRICT REMITTANCES TO 50 PERCENT OF ROYALTY AND OTHER PAYMENTS.

2. UNDER CENTRAL BANK CIRCULAR NO. 393 OF DECEMBER 7, 1973, (BEING POUCHED) ROYALTIES FOR MANUFACTURING PROCESSES MUST BE LIMITED TO 5 PERCENT AND FOR USE OF TRADENAMES TO 2 PERCENT. CONTRACTS MAY EXTEND FOR NO MORE THAN FIVE YEARS AND SHALL NOT HAVE MANDATORY RENEWAL PROVISIONS. ALSO, CONTRACTS CANNOT CONTAIN RESTRICTIONS ON ACTIVITIES OF LICENSEES SUCH AS EXPORT
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PROHIBITIONS. MOTION PICTURE DISTRIBUTION CONTRACTS

SHALL LIMIT REMITTANCES TO 50 PERCENT OF GROSS PROCEEDS
MINUS LOCAL EXPENSES. CENTRAL BANK AND BOARD OF
INVESTMENTS ARE AUTHORIZED TO MAKE EXCEPTIONS ON CASE
BY CASE BASIS.

3. NEW REGULATIONS WILL PERMIT INCREASED REMITTANCES
FOR FIRMS, PROBABLY MAJORITY, WHOSE ROYALTY OR OTHER
CONTRACTUAL CHARGES AMOUNTED TO LESS THAN TWICE AS
MUCH AS PERMITTED UNDER NEW REGULATIONS. U.S. MOTION
PICTURE EXPORTERS, HOWEVER, ARE UNHAPPY ABOUT NEW
REGULATIONS. ALTHOUGH MAXIMUM REMITTANCE RATE HAS BEEN
INCREASED BY 10 PERCENT, THE BASIS FOR COMPUTATION UNDER
NEW REGULATIONS IS LOWER THAN GROSS PROCEEDS BASIS USED
UNDER PREVIOUS REGULATIONS.

4. ROYALTIES ON REPRINTS OF BOOKS WILL CONTINUE TO BE
GOVERNED BY EARLIER REGULATIONS WHICH LIMIT
ROYALTIES TO 15 PERCENT OF WHOLESALE COST AND PERMIT
50 PERCENT REMITTANCE FOR LOCALLY DISTRIBUTED BOOKS AND
100 PERCENT REMITTANCE FOR EXPORTED BOOKS.
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